

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**GUIDELINES FOR COMPLETING THE
MONTHLY INCOME AND EXPENDITURE (MIE) REPORT**

EFFECTIVE DATE: JANUARY 2005 MIE
Revised 1/2005

Replaces: "Guidelines for Completing the Monthly Income and
Expenditure Report", Rev.: 2/04

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

GUIDELINES FOR COMPLETING THE MONTHLY INCOME AND EXPENDITURE REPORT

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I. POLICY FOR SUBMITTING THE MONTHLY INCOME AND EXPENDITURE REPORT

I. POLICY FOR SUBMITTING THE MONTHLY INCOME AND EXPENDITURE REPORT

SUMMARY: Described is the Authority's policy for submitting the Monthly Income and Expenditure (MIE) Report.

MIE: **PURPOSE** - The MIE report provides essential financial information to the Authority. This information is used to monitor development performance, ensure compliance with state and federal regulations and detect potential financial problems. It is, therefore, essential that accurate and meaningful financial information is submitted to the Authority.

REQUIRED DOCUMENTS - The following documents are required to be submitted to the Authority on a monthly basis:

- Monthly Income & Expenditure Report, MSHDA Form 109
- Schedule A: Aging of Accounts Receivable
- Schedule B: Aging of Trade Accounts Payable
- Schedule C: Security Deposit Reconciliation
- Other financial documentation/Schedules, as requested
- MIE Line Item Explanation worksheet, if necessary

The Monthly Income and Expenditure Report is the minimum financial reporting requirement of the Authority. Submission of disbursement journals/check registers, supplemental schedules or any other additional information may be required periodically by the assigned Asset Manager.

SUBMISSION REQUIREMENTS –Beginning with the February 2005 MIE that is due March 15, 2005, the MIE Reports must be submitted to the Authority via an Internet Website. Further instructions will be provided to you regarding the Internet Website submissions. However, until further notice, the MIE's must also be electronically submitted to MSHDA via Internet e-mail.

The MIE Guidelines and the electronic MIE Template are available on the MSHDA website. The instructions provide detailed information on how the MIE information must be entered on the MIE Template.

Paper copies will not be accepted or processed. Submit any other financial documentation (check registers, etc.) or supplementary schedules to the assigned Asset Manager by their due date.

The following instructions should be used and reviewed prior to submitting the MIE to the Authority:

- The Development Name, MSHDA number and MIE date must be filled in on the first page of the MIE before proceeding to Schedules A, B and C. This information will carry forward to subsequent pages;
- When entering the date in the cell under “Month”, use a hyphen (-) between the month and the year (Example: February-2005). Do not use a comma (,);
- Submit the MIE report electronically via Internet e-mail to: mshdaassetmgt@michigan.gov;
- The subject line must read “MIE-month/year, Development Name, MSHDA # (Example: MIE-January 2005, Northstar Farms #9999). This syntax is important to the automatic response feature that will let you know that your MIE transmission was received. Any variation to the subject line could result in a misdirected MIE that is not processed properly;
- Control Cell “161D” of the MIE Report must contain a “YES” response Control Cell “145E” must not contain an “ERROR” response;
- The Certification portion of the MIE must be completed before the MIE can be processed;
- Record amounts reported on the MIE on the line item approved in the Authority budget; and
- Record only whole numbers on each line. Do not include cents. Round up at 50¢ or more and down at 49¢ or less.

When you send your MIE’s electronically, you will receive one of the following messages:

1. The electronic submission regarding your MIE has been received by MSHDA. However, the MIE has not been reviewed for completeness or discrepancies. Therefore, this automatic response does not mean that your MIE is acceptable. MIE’s will be processed within 48 hours (2 business days) from the date of receipt. Problems will be brought to your attention by

a return e-mail message. If there are no problems with your MIE Report, no further messages will be transmitted; or

2. Your MIE transmission is incorrect and is being returned for correction. The MIE will not be logged as received at MSHDA until the following items are corrected:

DUE DATES - The MIE, including Schedules A, B and C, are due via e-mail at mshdaassetmgt@michigan.gov **no later than midnight on the 15th of the month following the reporting month**; i.e. income and expense information for the month ending January 31, 200X would be due no later than February 15, 200X.

There are no exceptions to the 15th of the month due date, even if the 15th is on a weekend or a holiday. Internet delays or computer problems are not a reason for late submissions. Be sure to allow ample time for submissions, taking into consideration possible delays in transmissions due to Internet activity.

MIE's can be resubmitted prior to the 15th of a month to correct errors. After the 15th, corrections must be reflected in the next month's MIE Report.

The initial MIE for new developments must be submitted by the 15th of the month following the month for which income is received and/or expenses are incurred. The initial MIE for occupied rehabilitated developments must be submitted by the 15th of the month following the month in which initial closing occurred.

UNACCEPTABLE REPORTS - The MIE will be considered unacceptable for the following reasons:

- The financial information is not accurately computed or reported;
- All of the sections of the MIE and the Schedules are not fully completed;
- Expenditures are not reported on the appropriate line item as approved in the Authority budget;
- The MIE is submitted/received after the 15th of the month;
- The MIE is not submitted electronically;
- The applicable control cells in the MIE Report contain a "NO" or an "ERROR" response;
- The Certification portion of the MIE is not completed;

- The MIE Report form has been restructured without Authority approval; and
- Other good cause.

Management agents will receive a warning letter of noncompliance if unacceptable MIE's are submitted. A second warning letter of noncompliance may result in the loss of premium management fees. Repeated violations may be grounds for declaring a material default of the mortgage as described in the Regulatory Agreement. Subsequent loss of management fees or ultimate termination of the management agent may result.

II. INSTRUCTIONS FOR COMPLETING MIE TEMPLATE

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The instructions for completing the MIE Template (**Revised 01-05**) are outlined below. The Microsoft Excel 2000 template which contains the MIE Report, Schedules A, B, C and MIE Explanation, is designed for the preparation and electronic submission of your monthly MIE Report to MSHDA. Save the program to your hard drive, **replacing any previous versions installed. All MIEs must be submitted using this revision of the program. Any submission not prepared using the revised form will be returned and will not be logged as received.**

Instructions:

1. Double click to open the file.
2. At the bottom left of the Excel screen will appear five tabs - MIE Report, Schedule A, Schedule B, Schedule C and MIE Explanation. By clicking each of the tabs you will open the associated sheet for data input.
3. The upper right hand corner of the MIE Report requires entry of information i.e.: Development name, MSHDA #, date, etc. Double click in each box to position your cursor and enter required information. Enter the data using a hyphen between the month and year (example: January-2005). **Do not use a comma.**
4. **Proceed to and complete Schedules A, B, C and MIE Explanation, if applicable, before finishing the MIE Report.**
5. Fill in form with the required data by placing your cursor in a box and typing from your keyboard. You may tab between fill-in fields. Abbreviate where possible to keep the entry to one line.
6. Cells that require numerical data input **must be entered in whole numbers** (if you enter cents, the computer will automatically round to a whole number and an error may occur). Do not use dollar signs (\$) or commas (.). If you are entering a negative number, enter the number preceded by a minus sign (-). The program will enclose the number in brackets indicating a negative amount. There have been sufficient pages included to cover lengthy reports. Use only those pages necessary to complete your report. Leaving blank pages will not affect the MIE results.
7. Certain cells have been blocked from data input and contain formulas that will automatically calculate as you continue. Data that is required in other fields on the MIE report will automatically transfer. You will be blocked from entering data directly to these cells. Formulas may be viewed at the top of your screen but cannot be altered.
8. As you provide data you will find one or more checkpoint cells that are bordered in red. By placing your cursor in these cells you will see an instructional comment designed to help you determine the accuracy of your report.
9. When Schedules A, B, and C have been completed, proceed to the MIE. At the end of the MIE Report will appear a "YES" or "NO" statement. If "YES", your report is completed and you may submit your report to MSHDA. **If you have received a "NO", your report is in error. DO NOT SUBMIT THIS REPORT UNTIL CORRECTIONS HAVE BEEN MADE. ANY INCORRECT**

REPORTS THAT ARE SUBMITTED WILL BE RETURNED IMMEDIATELY AND WILL NOT BE LOGGED AS RECEIVED.

10. MIE Line Items that require an explanation may be entered on the last worksheet of the workbook (See tab "MIE Line Item Explanation).
11. Completion of the MIE requires a name and title for Certification purposes. The name and title may be typed but when transmitted will be treated in the same manner as a signed document.
12. **YOU MUST USE THIS TEMPLATE FORM. A FAILURE TO DO SO MAY RESULT IN A FAILED ELECTRONIC TRANSFER OF DATA AND LOSS OF PREMIUM MANAGEMENT FEES.**
13. Submit your report, electronically via Internet email, to the following address:

mshdaassetmgt@michigan.gov

The subject line is to read "MIE-month/year, Development Name, MSHDA # (Example: MIE-January 2005, Northstar Farms, #9999).

NOTE: If the subject line is entered incorrectly, you will not receive an automatic response indicating that your MIE was received.

14. You will receive a responding email informing you that your MIE has been received and submitted for processing or, in the case of an unacceptable MIE, your file will be returned electronically for correction and resubmission. Submissions will be logged by time received. Be sure to allow for timely submittal taking into consideration possible delays in transmission due to Internet activity.
15. When you save your completed report to your files, the program will require you to rename the file. Your template will remain as a blank document to be used for future reporting.

If you have any questions regarding the use of this disk, please contact:

Janice Stevenson
Office of Asset Management
Phone #: (313) 456-3586
E-mail: stevensonja@michigan.gov

III. INSTRUCTIONS FOR COMPLETING MIE

III. INSTRUCTIONS FOR COMPLETING MIE

A. INCOME:

LINE 1 GROSS RENT POTENTIAL - Gross Rent Potential (GRP) is calculated according to the federal or state housing program which governs the financial operations of the development. Instructions for calculating GRP are described below. The initial GRP is established during the budget process and should tie directly to the budget throughout the year.

However, in cases where the rent levels change within the budget period, the GRP must also change to reflect increases or decreases in rental income. Factors which may cause changes in rental income are:

- A change in the annual adjustment factor;
- Authority-approved rent increases;
- Units removed from the market and converted to employee units; and
- Lease renewals.

The Gross Rent Potential line item includes:

Section 236 - Basic rent for each unit type times the number of units for each unit type. Also include moderate unit rents in annual rent potential (moderate units do not have an Interest Reduction Subsidy contract).

Section 8 - Current contract rent times the number of ACC units and market-rate units, if applicable, for each unit type. Include moderate unit rents in the annual rent potential, if applicable.

All Programs Except Section 236 & Section 8 - Current rents times the number of units per unit type. Do not include subsidy grants that support the operation of the development. Resident-based subsidies should be included.

Deductions:

- a. **Vacancy Loss** - Record **rental** income lost due to vacant units during the month. Vacancy claim adjustments for Section 8 developments, when paid by the Authority, should be netted against the vacancy loss. **NOTE: Do not record the 80% vacancy loss claim as a receivable.**
- b. **Non-Rental Unit** - Record rental income lost due to rent-free unit(s) occupied by on-site staff.
- c. **Bad Debt/Formers Residents** - Record rental income lost due to residents who have vacated units and owe money to the development in excess of

security deposits as of the end of the reporting month. Payments received for bad debt/former residents should be netted against this line item.

- d. **Marketing Rent Concessions** - Record income lost due to any marketing rent concessions. **NOTE: Section 8 developments cannot give rent concessions to residents. Section 236 development marketing concessions must be approved by HUD.**
- e. **Net Change in Receivables** - Record net change in resident and subsidy receivables from Line 3 of Schedule A.
- f. **Net Change in Unearned Rental Income** - Record net change in unearned rental income (prepaid rent) from Line 3 of Schedule B.

Total Deductions - Record total of Lines a through f. Bracketed (negative) numbers will reduce the total amount of deductions to Gross Rent Potential.

NET RENT COLLECTED - Gross Rent Potential minus Total Deductions must equal actual rent and subsidy cash collected.

OTHER INCOME

- **Surety Bond** - If the development has posted a Surety Bond, security deposits maintained in the development's security deposit account must be deposited into the development's operating bank account. Because this transaction does not result in income to the development, no income is to be reported on the MIE.
- **MSHDA-Held Escrow Account Interest/Congregate Care Services** - MSHDA-held escrow account interest and income from congregate care services should not be reported as Other Income nor should income of this type be recorded anywhere else on the MIE report. However, a schedule should be attached to the MIE report summarizing the income and expenses of the optional extra services.
- **Construction Draws** - Construction draws for marketing and capital expenditures should not be reported as Other Income but should be offset against the appropriate line item.
- **Property Damage Insurance Claim Checks** - Property damage insurance claim checks should not be reported as Other Income but should be offset against the appropriate expenditure line item.

LINE 2a **Replacement Reserve** - This line item includes disbursements from the Replacement Reserve account.

LINE 2b **DCE Principal** - This line item includes disbursements from the DCE Principal account.

- LINE 2c** **DCE Interest** - This line item includes disbursements from the DCE Interest account.
- LINE 2d** **Operating Reserve Cash** - This line item includes disbursements from the Operating Reserve Cash account.
- LINE 2e** **Miscellaneous Special Escrows** - This line item includes all funds received from special MSHDA-held reserve accounts; i.e. exterior painting/staining, asphalt repairs, resale repair escrow, etc.
- LINE 2f** **Advances** - This line item includes any money advanced to the development (generally from owners) in order to fund operating deficits or to support operating needs. **All advances and/or expenses paid on behalf of the development by the management agent, partnership or any other entity must be reported on this line.**
- LINE 2g** **Late Charges** - This line item includes the late fees received from residents.
- LINE 2h** **Laundry** - This line item includes the development's portion of income received from common area laundry facility.
- LINE 2i** **Commercial Income** - This line item includes rent collected from commercial space covered by a master lease.
- LINE 2j** **Subsidies/Grants** - This line item includes subsidy or grant funds received; i.e. Small Size Loans, Security Loans, HOME Loans, Amenity Loans, HODAG or subsidy grants that support the operation of the development (resident-based subsidies are included in Gross Rent Potential).
- LINE 2k** **Interest Income** - This line item includes income from interest earned on savings deposits, investment certificates, security deposits (where applicable) and trustee-held escrow accounts (including Section 8 Preservation Pass-Through developments). **Do not include interest earned on MSHDA-held escrows.**
- LINE 2l** **Excess Rental Income** - This line item includes any rent collected in excess of basic rent (Section 236 developments only), **including the amount of excess income approved by HUD to be retained by the owner for limited purposes.**
- LINE 2m** **Other** - This line item includes miscellaneous income; i.e. cable and TV antenna, club house rental, air conditioner unit rentals, carport rentals, non-refundable pet or other fees, human services programs, sales proceeds, income from non-ACC units, NSF fees and rent from telecommunications tenants.

LINE 3 TOTAL INCOME - Net Rent Collected plus Total Other Income.

B. EXPENDITURES:

- Congregate care services expenses should not be reported on the MIE report. However, a schedule should be attached to the MIE report summarizing the income and expenses of the optional extra services.
- Construction draws for marketing and capital expenditures should not be reported as Other Income but should be offset against the appropriate expenditure line item.
- Property damage insurance claim checks should not be reported as Other Income but should be offset against the appropriate expenditure line item.
- **The amount of rent and/or resident damages collected from the residents or security deposits should be offset in the appropriate line item.**
- Section 236 Excess Income approved by HUD to be retained to fund Replacement Reserve shortfalls or to fund future repairs should be reported in Line Item 16c – Replacement Reserve.

NOTE: If a management agent elects to establish an Excess Income account not held by the Authority, the funds must be reflected in Total Operating Cash (development's operating account).

ADMINISTRATIVE

MANAGEMENT FEES

LINE 4a Management Fees - This line item includes the amount of management fees paid.

LINE 4b Premium Management Fees - This line item includes the amount of the Premium Management Fees paid. **Approved COE salaries and travel expenses must be included in this line item. Do not include the cost of COE Employer Payroll Taxes, fringe benefits or Worker's Compensation in this line item.**

NOTE: The Authority must approve the premium management fee before it can be disbursed.

MARKETING

- LINE 5a** **Advertising** - This line item includes development advertising through newspapers, radio, television, exhibits, leaflets, brochures, signs, banners, etc. as well as advertising for staff vacancies.
- LINE 5b** **Marketing Payroll** - This line item includes the reimbursement of gross salaries of staff used exclusively for marketing or commissions paid to outside agents.
- LINE 5c** **Other** - This line item includes resident referral, other marketing fees or costs and Rent Comparability Study for determining Annual Adjustment Factor for Section 8 developments.

LEGAL

- LINE 6** **Legal Expense** - This line item includes professional services relating to the development's operations; i.e., serving notices, bonding, eviction proceedings, real estate tax appeals, etc. Any court costs paid by residents should be off-set in this line item. **NOTE: Any legal expenses incurred in the sale or the proposed sale of the development or the partnership interest cannot be paid from development operations.**

OTHER ADMINISTRATIVE

- LINE 7a** **Administrative Payroll** - This line item includes the reimbursement of gross salaries of all full and part-time office staff, including the human services coordinator.
- LINE 7b** **Temporary Administrative Services** - This line item includes the cost of employment agency administrative staff rather than development-paid staff.
- LINE 7c** **Employee Pension Plans** - This line item includes the cost of employer's contribution for **Authority-approved** pension plans for on-site staff, as well as the cost of auditing of these pension plans.
- LINE 7d** **Employer Payroll Taxes** - This line item includes the reimbursement of all employer payroll taxes, **including taxes paid on behalf of COE staff**. The cost of an unemployment tax audit must be included in this line item.
- LINE 7e** **Taxes Other** - This line item includes the development's Single Business Tax and any other development-related taxes (except Real Estate Taxes).
- LINE 7f** **Telephone** - This line item includes local and long distance telephone charges, telephone equipment rental and internet charges. Pager and cellular services used by on-site staff are eligible expenses.

- LINE 7g** **Office** - This line item includes office supplies, computer maintenance and non-capitalized office equipment and development-specific computer software.
- LINE 7h** **Auditing** - This line item includes the cost of preparing the annual certified audit required by the Authority. **The cost of the annual certified audit's legal opinion letter must be included in this line item.** The non-profit audit required on some developments financed under the Section 8 Preservation Program may be included in this line item if the total audit expense is within the Authority's approved audit fee limit.
- LINE 7i** **Credit Reports** - This line item includes the cost paid for resident credit reports, home visits and criminal checks.
- LINE 7j** **Human Services Program** - This line item includes the cost of Human Services Programs that directly benefit the residents; i.e. holiday dinners, parties, teen activities, cable TV, toddler programs and recreation/entertainment-related activities.
- LINE 7k** **Miscellaneous Administrative** - This line item includes newsletters, coffee, approved seminars or training sessions for on-site employees, charitable contributions and other items provided to residents not included in human services; Tax Credit monitoring fee; mileage for on-site staff.

UTILITIES

- LINE 8** **Electricity** - This line item includes the cost of development-paid electrical utility bills. Rebates received from the utility company must be off-set on this line item.
- LINE 9** **Water & Sewer** - This line item includes the cost of development-paid water and sewer bills. Rebates received from the utility company must be off-set on this line item.
- LINE 10** **Fuel** - This line item includes the cost of development-paid heating bills. Rebates received from the utility company must be off-set on this line item.

OPERATING & MAINTENANCE

Accurate reporting of operating and maintenance expenses as described in the following section is required. These instructions should enable you to determine where individual expense items should be appropriately reported on the MIE.

The Authority recognizes that each management agent classifies and records certain expenses as either routine maintenance expenses (non-depreciable) or capital expenditures (depreciable). The method of depreciation and rationale for classification will be left to the discretion of each management agent as long as standard accounting principles and practices are followed. **However, once an item has been classified and approved as either non-depreciable or depreciable in the development's budget, the item must be expensed in the same line item**

on the MIE. Changing accounting methods and practices within an established fiscal period or periods is not allowed without formal declaration as required by and pursuant to IRS regulations.

For the purpose of calculating residual receipts in accordance with the Cost Certification Manual for Mortgagors and Contractors, amounts classified and approved as non-depreciable items may be reclassified as depreciable items pursuant to the requirements of the guidelines.

Non-depreciable operating and maintenance items are reported in Lines 11 through 15 of the MIE. Depreciable items or capital expenditures are reported on Lines 20 a-f of the MIE.

MAINTENANCE

LINE 11a Maintenance Payroll - This line item includes reimbursement of the gross salary of both full and part-time maintenance staff; i. e., pool attendants and others performing maintenance-related work.

LINE 11b Temporary Maintenance Services - This line item includes the cost of employment agency maintenance staff rather than development-paid staff.

JANITORIAL

LINE 12a Janitorial Payroll - This line item includes reimbursement of the gross salary of both full and part-time janitorial staff for both unit and common area cleaning.

LINE 12b Janitorial Supplies - This line item includes supplies related to regular janitorial maintenance; i.e., detergents, cleaning compounds, disinfectants, brooms, mops, toilet paper, light bulbs, etc.

GROUNDS

LINE 13a Grounds Maintenance Payroll - This line item includes reimbursement of the gross salaries of both full and part-time grounds staff.

LINE 13b Temporary Grounds Services - This line item includes the cost of employment agency grounds staff rather than development-paid staff.

LINE 13c Snow Removal - This line item includes snow removal contracts and/or supplies and non-capitalized equipment related to the removal of snow and ice.

LINE 13d Lawn Maintenance - This line item includes lawn care contracts and/or supplies related to on-site lawn maintenance; i.e., trees, fertilizer, weed killers, shrub and lawn trimming, and all other non-capitalized items related to grounds maintenance.

LINE 13e Parking Lot/Concrete Repairs - This line item includes the routine maintenance and upkeep of the parking lot, sidewalks, concrete; i.e., contracted cleaning, sealing/stripping, etc.

NON-CAPITALIZED REPAIRS & MAINTENANCE

LINE 14a Painting Units - This line item includes the cost of unit turnover and cycle contracted painting, non-capitalized wall papering, painting supplies, wallpaper and paint removing material, etc.

LINE 14b Cleaning Units - This line item includes the cost of contractual vacant unit cleaning (not janitorial staff).

LINE 14c Heating and Air Conditioning - This line item includes unit or common area costs for boiler inspection, non-capitalized replacements and repairs or service contracts for heating and air conditioning equipment.

LINE 14d Plumbing - This line item includes unit or common area costs for maintenance contracts for plumbing, routine plumbing maintenance supplies, non-capitalized replacements or repairs and any scheduled payments for calling in a plumber.

LINE 14e Electrical - This line item includes unit or common area costs for maintenance contracts for electrical repairs, non-capitalized interior lighting replacements or repairs, routine electrical maintenance supplies, and any scheduled payments for calling in an electrician.

LINE 14f Pool Maintenance - This line item includes maintenance contracts for pool repairs, non-capitalized routine pool maintenance equipment and supplies, and any scheduled payments for calling in a pool repair person.

LINE 14g Elevator - This line item includes maintenance contracts for elevator repairs, non-capitalized routine elevator maintenance supplies, and any scheduled payments for calling in an elevator repair person.

LINE 14h Exterior Cycle Painting/Waterproofing - This line item includes non-capitalized exterior cycle painting and waterproofing costs.

LINE 14i Common Area Costs - This line item includes non-capitalized common area repairs, painting, renovation, cleaning or replacement costs.

LINE 14j Other - This line item includes non-capitalized **unit costs**; i.e. doors, floor coverings, glass and screens, parts or repairs made to drywall, countertops, appliances, sinks, tubs, toilets; and maintenance supplies, etc. and any other unit contractual costs not specifically identified elsewhere.

OTHER OPERATING

- LINE 15a Vehicle & Equipment Operating Expense** - This line includes vehicle and equipment operating expenses such as permits, rentals, licenses, gasoline, oil, lubricants, and upkeep of vehicles and equipment.
- LINE 15b Exterminating** - This line item includes exterminating contracts and, when applicable, supplies and equipment for use by on-site staff.
- LINE 15c Rubbish Removal** - This line item includes the contract amount for all rubbish removal.
- LINE 15d Security Payroll** - This line item includes contracted security service or reimbursement of the gross salaries of security staff.
- LINE 15e Other** - This line item includes non-capitalized security-related items; i.e fire extinguishers, smoke detectors, monitoring charges; uniforms; city inspection fees and permits; miscellaneous operating expenses; non-capitalized exterior costs and Comprehensive Needs Assessment (CNA).

ESCROW FUNDING & DEBT SERVICE

ESCROW FUNDING

- LINE 16a Real Estate Tax Escrow** - This line item includes the MSHDA-approved monthly escrow payments. Real Estate Taxes, including PILOTS, that are paid directly from the development's operating account must be included in this line item.
- LINE 16b Property & Liability Insurance** - This line item includes the MSHDA-approved property and liability insurance. Property & Liability insurance premiums that are paid directly from the development's operating account must be included in this line item.
- LINE 16c Replacement Reserve** - This line item is the monthly Replacement Reserve payment, including CNA needs; and for Section 236 developments that have elected to retain excess income for the purpose of funding shortfalls in the Replacement Reserve account or for future repairs.
- LINE 16d Loan Repayment** - This line item is the monthly repayment of loans from all reserve accounts, repayment energy loans, **Second/Third Mortgage payments**, HOME Loans and Small Size Loans, owner advances, etc. **NOTE: Resale proceeds to repay the DCE Interest, DCE Principal or Replacement Reserve are included in this line item.**

LINE 16e Other - This line is the payment for special MSHDA-held reserve accounts; i.e. exterior painting/staining, asphalt; disbursements to the Operating Reserve Cash account, Community Development Fund, Repayable Subsidies, etc.

DEBT SERVICE

LINE 17a Mortgage Interest - This line item is the monthly mortgage interest payment.
NOTE: Section 8 Preservation Pass Through Program bond payments to trustees must be included in this line item.

LINE 17b Mortgage Principal - This line item is the monthly mortgage principal payment.

LINE 17c Trustee Bond Fees - This line item includes Section 8 Preservation Pass Through Program bond trustee fees.

OTHER EXPENDITURES

INSURANCE

LINE 18a Employee Health Benefits - This line item includes the development's reimbursement for staff (**including approved COE staff**) hospitalization, dental and vision insurance; flexible spending accounts, etc.

LINE 18b Worker's Compensation - This line item includes Worker's Disability Compensation Insurance and the cost of the Worker's Compensation audit (**including approved COE staff costs**).

LINE 18c Other - This line item includes vehicle and equipment insurance, employee discrimination insurance, fidelity bond coverage where allowed under the Authority's employee dishonesty/crime policy and any other Authority-approved insurance costs not currently being escrowed.

ALLOWABLE DISTRIBUTIONS

LINE 19 Allowable Distributions - This line item includes the L.D. Payment.

NOTE: Pass Through Program non-profit distributions or any other Authority-approved distributions must be included in this line item.

NOTE: Approved, undisbursed L.D. Payments must be shown as a payable.

CAPITAL EXPENDITURES

LINE 20a Land Improvements - This line item includes capitalized improvements directly related to or added to the land; i.e. sidewalks, roads, fences, landscaping shrubs and trees, lawn sprinkler system, playground equipment, etc.

LINE 20b Building & Components - This line item includes capitalized major structural repairs or additions; i.e. decks, awnings, siding, roofs, doors, windows, storage sheds, lighting systems, heating/cooling systems, security systems and equipment, etc.

LINE 20c Maintenance Equipment - This line item includes capitalized trucks, snow removal equipment, lawn mowers, power tools, etc.

LINE 20d Office Equipment - This line item includes capitalized desks, files, computers, development-specific computer software, typewriters, copiers, calculators, communication system equipment, etc.

LINE 20e Furniture & Fixtures - This line item includes capitalized non-structural components of a building; i.e. appliances, floor covering, tubs, sinks, cabinets, toilets, air conditioning units, water heaters, window treatments, common area furniture and pictures, etc.

LINE 20f Other - This line item includes capitalized items not included in the above categories; i.e. vans, etc.

EXCESS INCOME PAYMENT

LINE 21 Excess Income Payment – For Section 236 developments that did not receive approval to retain Excess Income, this line item includes any rent collected in excess of basic rent and returned to HUD. **NOTE: Section 8 Preservation Pass Through Program Regulatory Fees must be included in this line item.**

LINE 22 TOTAL EXPENDITURES - This amount can be obtained by adding Lines 4a through 21.

LINE 23 INCOME MINUS EXPENDITURES – This amount can be obtained by subtracting Line 22 from Line 3.

LINE 24 ADD BEGINNING OPERATING CASH BALANCE - This amount must be the ending operating cash balance from the prior month.

LINE 25 ENDING OPERATING CASH BALANCE - This amount is the sum of Lines 23 and 24. **NOTE: This amount must equal Line 31.**

C. RECONCILIATION TO OPERATING CASH BALANCE:

All of the account balances recorded below must be held in separate accounts in the name of the development and must be maintained in a bank located in the State of Michigan.

Security Deposits - Administration of the security deposit funds must be in compliance with federal, state and Authority requirements. At no time should the collection and disbursement of security deposit funds be recorded in the INCOME or EXPENSE section of the MIE. **However, interest earned on security deposits that does not require reimbursement to the resident must be recorded on Line 2k - Interest Income.**

Surety Bond - If a development posts a Surety Bond, the security deposits maintained in the development's security deposit account must be deposited into the development's operating bank account. Because this transaction does not result in income to the development, no income is to be reported on the MIE. Any underfunding of the security deposits must be reported on Line 30 of the MIE. The amount of underfunding is determined by calculating the difference between the security deposits funded (excluding the amount of the Surety Bond) and the security deposit liability.

- LINE 26 Operating Checking Balance:** Record the development's reconciled checking account balance.
- LINE 27 Savings:** Record the balances of saving accounts. **NOTE:** Saving accounts that exceed the federally-insured limit should be analyzed to determine if transferring the amount which exceeds \$100,000 is practical and would reasonably reduce the risk of loss at a minimal cost. **NOTE: Section 8 Preservation Pass Through Program trustee cash trap requirements must be included in this line item.**
- LINE 28 Certificates of Deposit/Money Market:** Record the amount of Certificates of Deposit (CDs) and money market accounts. For ongoing operating needs and since surplus cash must be submitted to the Authority on an annual basis, investments in CDs should be limited to a reasonable period of time.
- LINE 29 Petty Cash:** Record the amount of cash held at the development (usually less than \$500) that is used to pay for minor miscellaneous expenses.
- LINE 30 Security Deposits Over(Under) Funded:** Record the amount from Line 7 of Schedule C: Security Deposit Reconciliation.
- LINE 31 Total Operating Cash:** Record the sum of Lines 26 through 30. **NOTE: This amount must equal Line 25.**

D. SCHEDULE A - AGING OF ACCOUNTS RECEIVABLE:

Type the development's MSHDA #, month, year and page in the space provided at the top of each page (use more than one page if necessary).

Column 1 - Resident: Record the name of each current resident who is delinquent in the payment of their rent. **NOTE: "Current resident" is defined as any resident who is occupying a unit at the end of the reporting month.**

Column 2 - Resident Monthly Rent - Record the actual monthly rent due from each resident, except for Section 236 developments which should record only the Basic Rent portion. **NOTE: Rent due in excess of Basic Rent should be recorded on Line D along with late charges, NSF fees, court costs, resident damages and carport fees.**

Column 3 - 0-30 Days - Record unpaid rent for the reporting month.

Column 4 - 31-60 Days - Record unpaid rent due for the month prior to the reporting month.

Column 5 - Over 60 Days - Record unpaid rent more than two months overdue.

Column 6 - Total - Total the amount of Columns 3, 4 and 5 for each resident.

Column 7 - Status - Record the rent collection follow-up as of the end of the reporting month for amounts reported in Columns 4-6: N - Notice; A - Attorney; C - Court; J - Judgment Obtained; P - Payment Plan; V – Voucher.

TOTALS - Record the total for each column.

SUMMARY OF ACCOUNTS RECEIVABLE

A. **Resident Receivable (All Pages)** - Record the combined totals of current resident receivables from each page of the Schedule A.

B. **Subsidy Receivable** : Record RAP, Rent Supplement, Section 8, MSHDA resident-based subsidies **and development-based subsidy grants**. Do not include Section 8 special claims.

C. **Total of Resident & Subsidy Receivables**: Record the sum of Lines A and B. This amount must be recorded in the **Receivable/Payable column of Line 1e** of the MIE.

**COMPUTATION OF NET CHANGE IN RESIDENT
& SUBSIDY ACCOUNTS RECEIVABLE**

1. **Total of Resident & Subsidy Receivable at End of Current Month** - Record the amount from Line C.
2. **Total of Resident & Subsidy Receivable at End of Preceding Month** - Record the amount from Line 1 of the previous month's Computation of Net Change in Resident & Subsidy Accounts Receivable.
3. **Net Change** - Subtract Line 2 from Line 1 and record the amount in the **Actual column of Line 1e** of the MIE. A bracketed or negative number must be carried forward as such.
- D. **Other Current Resident Accounts Receivable**: Record the total amount of late charges, court costs, NSF fees, resident damages, carport fees, rent in excess of Basic Rent, etc.

Late charges, court costs, NSF fees, resident damages, carport fees, etc. should be reflected in the receivable column of Line 2m.

Rent in excess of Basic Rent should be reflected in the receivable column of Line 2l.

Any amounts received from residents for court costs or damages should be off-set in the appropriate expense line item.

- E. **Non-Resident Accounts Receivable**: Record the amount of other receivables due to the development; i.e. split-site shared costs, subsidy grants that support the operation of the development, amounts due from the partnership and management agents, Section 8 Special Claims, etc. These amounts should be reflected in the receivable column of Line 2m. Any amounts received should be off-set in the appropriate expense line item. **Note: Do not include escrow draws receivable.**

F. ONLY SECTION 236 DEVELOPMENTS SHOULD COMPLETE SECTION F:

Annual Section 236 Rent Supplement (RS)/Rental Assistance Payments (RAP) Contract Amount: Record the amount of the current annual RS/RAP Contract. **NOTE: All annual contracts run from October 1 through September 30.**

Contract Year-To-Date Subsidy Received: Record the amount of subsidy received from HUD as of the end of the month.

Subsidy Available: Subtract the amount of subsidy received year-to-date from the amount of the RS/RAP Contract and record this amount.

- G. **Current Number of Vacant Units**: Record the number of vacant units as of the date the current MIE is prepared. Do not include vacant units on which rent has been received.

E. SCHEDULE B - AGING OF ACCOUNTS PAYABLE/ACCRUED LIABILITIES:

Type the development's MSHDA #, month, year and page in the space provided at the top of each page (use more than one page, if necessary).

- **Accounts Payable/Accrued Liabilities** - All amounts owed for goods, services or benefits which have been received as of the end of the reporting month must be listed separately on Schedule B. Accrued liabilities for which an invoice or bill has been received must be reported, as well as the amounts of other payables due from the development, i.e. split-site costs, delinquent mortgage payments and any other unpaid obligations to the Authority, amounts due to the partnership.

Do not record the current month's mortgage interest as a payable.

- **Long-Term Liabilities** - The total outstanding balance, excluding the amount due for the current year for any installment agreements or notes payable, as well as any disputed payables, must be included in the Long-Term Liabilities Section of Schedule B. The amount due for the current year must be reported in Column 3 of Schedule B. If the current payment obligation is delinquent, the amount should be aged appropriately.

Owner Advances - If an owner advance and/or expense will be repaid from the development's operating account, they must be reported in the Long-Term Liabilities Section of Schedule B.

If the advance and/or expense paid on behalf of the development by the partnership will **never** be repaid from the development's operating account, they should **not** be reported in the Long-Term Liabilities Section of Schedule B. However, the General Partner must submit a letter to the Director of Asset Management indicating that the amount will **never** be repaid from the development's operating account. **This election will be irrevocable.**

- **Aging** - Aging is to be based upon the earlier of the invoice date or the date on which the good, service or benefit was received, if the actual cost is known. **Do not estimate costs.**

The total amount of payables for each line item should be reported in the Receivable/Payable column of Lines 4 through 21 of the MIE.

Column 1 - Payable To: Record the name of the entity to which the unpaid obligation is due.

Column 2 - Line Item No.: Record the applicable expense line item from the MIE.

Column 3 - 0-30 Days: Record the unpaid obligations that are within 30 days of the invoice date or the date in which the obligation was incurred.

Column 4 - 31-60 Days: Record the unpaid obligations that are within 31-60 days of the invoice date or the date in which the obligation was incurred.

Column 5 - 61-90 Days: Record the unpaid obligations that are within 61-90 days of the invoice date or the date in which the obligation was incurred.

Column 6 - Over 90 Days: Record the unpaid obligations that are over 90 days of the invoice date or the date in which the obligation was incurred.

Column 7 - Total: Record the amount of Columns 3, 4, 5 and 6 for each entity.

TOTALS - Record the total for each column.

A. **Payables (All Pages)** - Record the combined total of payables from each page of the Schedule B.

B. **Unearned Rental Income** - Record the amount of pre-paid resident rent. This amount must be recorded in the **Receivable/Payable column of Line 1f** of the MIE. **NOTE: This amount will always be a negative number when it is brought forward to the Receivable/Payable column of Line 1f on the MIE form.**

TOTALS - Total Lines A and B and record amounts in each of the appropriate columns.

COMPUTATION OF NET CHANGE IN UNEARNED RENTAL INCOME
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1. **Unearned Rental Income Total at End of Preceding Month** - Record the amount from Line 1 of the previous month's Computation of Net Change in Unearned Rental Income.
2. **Unearned Rental Income Total at End of Current Month** - Record the amount from Line B.
3. **Net Change** - Subtract Line 2 from Line 1 and record the amount in the **Actual column of Line 1f** of the MIE. A bracketed or negative number must be carried forward as such.

LONG-TERM LIABILITIES - Record the outstanding liability of any installment agreements or notes payable and any disputed payables. Include the item, the amount of the outstanding balance, excluding the amount budgeted for the current year, and the remaining term of the agreement.

The total amount of cumulative owner advances that is intended to be repaid from the development's operating account must be recorded in the Long-Term Liabilities Section.

F. SCHEDULE C - SECURITY DEPOSIT RECONCILIATION:

A separate bank account or a surety bond must be used to protect resident security deposits in accordance with Michigan's security deposit law. **NOTE: A surety bond can be used for all developments with the exception of those financed under the Section 8 Program.**

- Line 1** **Ending Cash Balance - Checking:** Record the development's reconciled security deposit checking account balance.
- Line 2** **Ending Cash Balance - Investment Account:** Record the amount of the security deposit investment account. Identify on the lines provided the investment type; i.e. savings, C.D., money market.
- Line 3** **Security Deposit Funding Balance:** Record the sum of Lines 1 and 2. **Do not include the amount of the Surety Bond, if applicable.**
- Line 4** **Resident Security Deposit Liability:** Record the total amount collected from and held for the residents. **NOTE: Do not include funds withheld from former residents that were used to offset resident damages, unpaid rent, etc.** In accordance with Section 883 of the Federal Code of Regulations, all New Construction Section 8 developments whose Agreements to Enter Into Housing Assistance Payments Contracts (AHAPS) were executed on/or after February 29, 1980, must deposit tenant security deposit funds into a segregated, interest-bearing account and any interest earned on the investment of tenants' security deposits must be allocated to the tenants.
- Line 5** **Other Refundable Deposits (pets, keys, etc.):** Self explanatory.
- Line 6** **Ending Security Deposit Liability:** Record the sum of Lines 4 and 5.
- Line 7** **Security Deposit Over(Under) Funding:** Subtract Line 6 from Line 3 and record the difference. Also record this amount on Line 30 of the MIE. **NOTE: The value of a Surety Bond cannot be used as an offset to the security deposit liability. Therefore, if underfunding is due to posting of a Surety Bond, the amount of the underfunding must still be recorded in Line 30 of the MIE.**
- Line 8** **Amount of Surety Bond (if applicable):** Record the amount of the Surety Bond. The bond must be posted in accordance with the requirements of the State of Michigan which are described below:
- Where the amount of the total deposits on all rental units does not exceed \$50,000, the amount of the bond shall be equal to the total of all deposits.
 - Where the amount of the total deposits on all rental units exceeds \$50,000, the amount of the bond shall be equal to \$50,000 plus 25% of the excess over \$50,000.

G. MIE LINE ITEM EXPLANATION:

- MIE Line Items that require an explanation may be entered on the "MIE Line Item Explanation" page. Enter the applicable MIE Line Item and the detailed explanation.